

CHAPTER 119

ECONOMIC DEVELOPMENT — MUNICIPAL REINVESTMENT DISTRICTS

H.F. 641

AN ACT authorizing the establishment of reinvestment districts following approval of the economic development authority board, providing for the remittance of certain state sales tax revenues and certain state hotel and motel tax revenues to municipalities, establishing a state reinvestment district fund, and making appropriations.

Be It Enacted by the General Assembly of the State of Iowa:

Section 1. NEW SECTION. **15J.1 Short title.**

This chapter shall be known and may be cited as the “Iowa Reinvestment Act”.

Sec. 2. NEW SECTION. **15J.2 Definitions.**

As used in this chapter, unless the context otherwise requires:

1. “Board” means the same as defined in section 15.102.
2. “Commencement date” means the date established for each district by the board under section 15J.4, subsection 3, upon which the calculation of new state sales tax and new state hotel and motel tax revenue shall begin under section 15J.5 for deposit in the fund.
3. “Department” means the department of revenue.
4. “District” means the area within a municipality that is designated a reinvestment district pursuant to section 15J.4.
5. “Fund” means the state reinvestment district fund created in section 15J.6.
6. “Governing body” means the county board of supervisors, city council, or other body in which the legislative powers of the municipality are vested.
7. “Municipality” means a county or an incorporated city.
8. “New lessor” means a lessor, as defined in section 423A.2, operating a business in the district that was not in operation in the area of the district before the effective date of the ordinance establishing the district, regardless of ownership. “New lessor” also includes any lessor, defined in section 423A.2, operating a business in the district if the place of business for that business is the subject of a project that was approved by the board.
9. “New retail establishment” means a business operated in the district by a retailer, as defined in section 423.1, that was not in operation in the area of the district before the effective date of the ordinance establishing the district, regardless of ownership. “New retail establishment” also includes any business operated in the district by a retailer, as defined in section 423.1, if the place of business for that retail establishment is the subject of a project that was approved by the board.
10. “Project” means a vertical improvement constructed or substantially improved within a district using sales tax revenues and hotel and motel tax revenues received by a municipality pursuant to this chapter. “Project” does not include any of the following:
 - a. A building, structure, or other facility that is in whole or in part used or intended to be used to conduct gambling games under chapter 99F.
 - b. A building, structure, or other facility that is in whole or in part used or intended to be used as a hotel or motel if such hotel or motel is connected to or operated in conjunction with a building, structure, or other facility described in paragraph “a”.
11. “State hotel and motel tax” means the state-imposed tax under section 423A.3.
12. “State sales tax” means the sales and services tax imposed pursuant to section 423.2.
13. “Substantially improved” means that the cost of the improvements are equal to or exceed fifty percent of the assessed value of the property, excluding the land, prior to such improvements.
14. “Vertical improvement” means a building that is wholly or partially above grade and all appurtenant structures to the building.

Sec. 3. NEW SECTION. **15J.3 Preapplication process.**

The board may establish by rule a preapplication process to provide information related to the requirements of this chapter, to determine the interest of municipalities in establishing

districts under this chapter, and to assist municipalities in preparing a proposed district plan.

Sec. 4. NEW SECTION. 15J.4 District establishment — approval.

1. A municipality that has an area suitable for development within the boundaries of the municipality is eligible to seek approval from the board to establish a reinvestment district under this section consisting of the area suitable for development. To be designated a reinvestment district, an area shall meet the following requirements:

a. The area consists only of parcels of real property that the governing body of the municipality determines will be directly and substantially benefited by development in the proposed district.

b. The area is in whole or in part either an economic development enterprise zone designated under chapter 15E, division XVIII, or an urban renewal area established pursuant to chapter 403.

c. The area consists of contiguous parcels and does not exceed twenty-five acres in total.

d. For a municipality that is a city, the area does not include the entire incorporated area of the city.

e. The area is not located in whole or in part within another district established under this chapter.

2. Prior to submission to the board for approval under subsection 3, a proposed district plan shall be developed and approved by resolution of the governing body of the municipality. The proposed district plan shall state the governing body's intent to establish a district. The proposed district plan shall also include all of the following:

a. A finding by the governing body that the area in the proposed district is an area suitable for development.

b. A legal description of the real estate forming the boundaries of the area to be included in the proposed district along with a map depicting the existing parcels of real estate located in the proposed district.

c. A list of the names and addresses of the owners of record of the parcels to be included in the proposed district.

d. A list of all projects proposed to be undertaken within the district, a detailed description of those projects, and a project plan for each proposed project. Each project plan shall clearly state the estimated cost of the proposed project, the anticipated funding sources for the proposed project, the amount of anticipated funding from each such source, and the amount and type of debt, if any, to be incurred by the municipality to fund the proposed project, and shall include a proposed project feasibility study conducted by an independent professional with expertise in economic development and public finance. The project plan for the project that proposes the largest amount of capital investment among all proposed projects within the district shall include an estimate of the date that construction of the project will be completed and of the date that operations will begin at the project. The feasibility study shall include projections and analysis of all of the following:

(1) The amount of gross revenues expected to be collected in the district as a result of the proposed project for each year that the district is in existence.

(2) A detailed explanation of the manner and extent to which the proposed project will contribute to the economic development of the state and the municipality, including an analysis of the proposed project's economic impact. The analysis shall include the same components and be conducted in the same manner as the economic impact study required under paragraph "e".

(3) An estimate of the number of visitors or customers the proposed project will generate during each year that the district exists.

(4) A description of the unique characteristics of the proposed project.

e. An economic impact study for the proposed district conducted by an independent economist retained by the municipality. The economic impact study shall, at a minimum, do all of the following:

(1) Contain a detailed analysis of the financial benefit of the proposed district to the economy of the state and the municipality.

(2) Identify one or more projected market areas in which the district can reasonably be expected to have a substantial economic impact.

(3) Assess the fiscal and financial impact of the proposed district on businesses or on other economic development projects within the projected market area.

3. *a.* The municipality shall submit a copy of the resolution, the proposed district plan, and all accompanying materials adopted pursuant to this section to the board for evaluation. The board shall not approve a proposed district plan or an amendment to an existing district's plan on or after July 1, 2018.

b. The board shall evaluate each municipality's proposed district plan and accompanying materials and shall approve the district plan and establishment of the district if the board determines that, in addition to other criteria established by the board by rule, all of the following conditions are met:

(1) The area of the municipality proposed to be included in the district meets the requirements of subsection 1.

(2) The projects proposed to be undertaken in the district are of a unique nature and will have a substantial beneficial impact on the economy of the state and the economy of the municipality.

(3) The proposed funding sources for each proposed project are feasible.

(4) At least one of the projects proposed to be undertaken in the district includes a capital investment of at least ten million dollars.

(5) The total amount of proposed funding from state sales tax revenues and state hotel and motel tax revenue to be remitted to the municipality from the state reinvestment district fund under section 15J.6 for all proposed projects in the proposed district plan does not exceed thirty-five percent of the total cost of all proposed projects in the proposed district plan.

(6) The amount of proposed capital investment within the proposed district related to retail businesses in the proposed district does not exceed fifty percent of the total capital investment for all proposed projects in the proposed district plan. For the purposes of this subparagraph, "*retail business*" means any business engaged in the business of selling tangible personal property or taxable services at retail in this state that is obligated to collect state sales or use tax under chapter 423. However, for the purposes of this subparagraph, "*retail business*" does not include a new lessor.

c. If the board denies a proposed district plan, the board shall state the reasons for the denial and the municipality may resubmit the application.

d. As part of its approval of a proposed district plan, the board shall establish a commencement date for the district. The commencement date established by the board shall be the first day of the first calendar quarter beginning after the later of the two dates identified for the project that proposed the largest amount of capital investment among all proposed projects in the district pursuant to subsection 2, paragraph "*d*".

e. As part of its approval of a proposed district plan, the board shall, subject to the authorized amounts under section 15J.5, establish maximum amounts of state sales tax revenues or state hotel and motel tax revenues, or both, that may be remitted to a municipality's reinvestment project fund. Such maximum amounts shall be determined based on the financing needs of the proposed project, the economic impact to the state, and the remittance limitations under paragraph "*f*".

f. The total aggregate amount of state sales tax revenues and state hotel and motel tax revenues that may be approved by the board for remittance to all municipalities and that may be transferred to the state reinvestment district fund under section 423.2, subsection 11, or section 423A.6, and remitted to all municipalities having a reinvestment district under this chapter shall not exceed one hundred million dollars.

g. If a district plan is approved by the board, the district plan, along with the municipality's resolution and all accompanying materials shall be posted on the economic development authority's internet site for public viewing within ten days of approval by the board.

4. Upon receiving the approval of the board, the municipality may adopt an ordinance establishing the district and shall notify the director of revenue of the district's commencement date established by the board no later than thirty days after adoption of the ordinance. The ordinance adopted by the municipality shall include the district's commencement date and a detailed statement of the manner in which the approved projects to be undertaken in the district will be financed, including but not limited to the financial information included in the project plan under subsection 2, paragraph "*d*".

Following establishment of the district, a municipality may use the moneys deposited in the municipality's reinvestment project fund created pursuant to section 15J.7 to fund the development of those projects included within the district plan.

5. A municipality may amend the district plan to add or modify projects. However, a proposed modification to a project and each project proposed to be added shall first be approved by the board in the same manner as provided for the original plan. In no case, however, shall an amendment to the district plan result in the extension of the commencement date established by the board. If a district plan is amended to add or modify a project, the municipality shall amend the ordinance, if necessary, to reflect any changes to the financial information required to be included under subsection 4.

6. Following establishment of a district, the municipality shall on or before October 1 of each year submit a report to the board detailing all of the following:

- a. The status of each project undertaken within the district in the previous twelve months.
- b. An itemized list of expenditures from the municipality's reinvestment project fund in the previous twelve months that have been made related to each project being undertaken within the district.
- c. The amount of the total project cost remaining for each project being undertaken within the district as of the date the report is submitted.
- d. The amounts, types, and sources of funding used for each project described in paragraph "a".
- e. The amount of bonds issued or other indebtedness incurred for each project described in paragraph "a", including information related to the rate of interest, length of term, costs of issuance, and net proceeds. The report shall also include the amounts and types of moneys to be used for payment of such bonds or indebtedness.

7. All reports received by the board under subsection 6 shall be posted on the economic development authority's internet site as soon as practicable following receipt of the report. The board shall submit a written report to the governor and the general assembly on or before January 15 of each year. The report shall summarize and analyze the information submitted by municipalities under subsection 6.

Sec. 5. NEW SECTION. 15J.5 New state tax revenue calculations.

1. a. The department shall calculate quarterly the amount of new state sales tax revenues for each district established in the state to be deposited in the state reinvestment district fund created in section 15J.6, pursuant to section 423.2, subsection 11, paragraph "b", subject to remittance limitations established by the board pursuant to section 15J.4, subsection 3.

b. The amount of new state sales tax revenue for purposes of paragraph "a" shall be the product of the amount of sales subject to the state sales tax in the district during the quarter from new retail establishments times four percent.

2. a. The department shall calculate quarterly the amount of new state hotel and motel tax revenues for each district established in the state to be deposited in the state reinvestment district fund created in section 15J.6, pursuant to section 423A.6, subject to remittance limitations established by the board pursuant to section 15J.4, subsection 3.

b. The amount of new state hotel and motel tax revenue for purposes of paragraph "a" shall be the product of the amount of sales subject to the state hotel and motel tax in the district during the quarter from new lessors times the state hotel and motel tax rate imposed under section 423A.3.

3. Each municipality that has established a district under this chapter shall assist the department in identifying new retail establishments in the district that are collecting state sales tax and new lessors in the district that are collecting state hotel and motel tax. This process shall be ongoing until the municipality ceases to utilize state sales tax revenue or state hotel and motel tax revenue under this chapter or the district is dissolved.

Sec. 6. NEW SECTION. 15J.6 State reinvestment district fund.

1. A state reinvestment district fund is established in the state treasury under the control of the department consisting of the new state sales tax revenues collected within each district and deposited in the fund pursuant to section 423.2, subsection 11, paragraph "b", and the new state hotel and motel tax revenues collected within each district and deposited in the fund

pursuant to section 423A.6. Moneys deposited in the fund are appropriated to the department for the purposes of this section. Moneys in the fund shall only be used for the purposes of this section.

2. A district account is created within the fund for each district created by a municipality under this chapter.

3. The department shall deposit the moneys described in subsection 1 that were collected in a quarter beginning on or after the district's commencement date into the appropriate district account in the fund.

4. All moneys in each district account within the fund shall be remitted quarterly by the department to the municipality that established the district for deposit in the municipality's reinvestment project fund established pursuant to section 15J.7.

5. The department shall adopt rules for the administration of the department's duties under this chapter, including the remittance of moneys to municipalities.

Sec. 7. NEW SECTION. 15J.7 Reinvestment project fund.

1. State sales tax revenue and state hotel and motel tax revenue remitted by the department to a municipality pursuant to section 15J.6 shall be deposited in a reinvestment project fund of the municipality and shall be used to fund projects within the district from which the revenues were collected. If the municipality determines that the revenue accruing to the reinvestment project fund exceeds the amount necessary for these purposes, the excess moneys that are remittances received under section 15J.6 and all interest in the fund attributable to such excess amounts shall be remitted by the municipality to the department for deposit in the general fund of the state.

2. In addition to the moneys received pursuant to section 15J.6, a municipality may deposit in the reinvestment project fund any other moneys lawfully at the municipality's disposal, including but not limited to local sales and services tax receipts collected under chapter 423B if such use is a purpose authorized for the municipality under chapter 423B.

3. The records of the municipality related to the district and the reinvestment project fund are subject to audit pursuant to section 11.6.

4. a. Moneys from any source deposited into the reinvestment project fund shall not be expended for or otherwise used in connection with a project that includes the relocation of a commercial or industrial enterprise not presently located within the municipality.

b. For the purposes of this subsection, "relocation" means the closure or substantial reduction of an enterprise's existing operations in one area of the state and the initiation of substantially the same operation in the same county or a contiguous county in the state. "Relocation" does not include an enterprise expanding its operations in another area of the state provided that existing operations of a similar nature are not closed or substantially reduced.

5. Upon dissolution of a district pursuant to section 15J.8, if moneys remitted to the municipality pursuant to section 15J.6 remain in the municipality's reinvestment project fund and those moneys are not necessary to support completion of a project in the dissolved district, such amounts and all interest remaining in the fund that was earned on such amounts shall be remitted by the municipality to the department for deposit in the general fund of the state.

6. Upon dissolution of a district pursuant to section 15J.8, moneys remaining in the reinvestment project fund that were deposited pursuant to subsection 2 and all interest remaining in the fund that was earned on such amounts shall be deposited in the general fund of the municipality.

Sec. 8. NEW SECTION. 15J.8 End of deposits — district dissolution.

1. As of the date twenty years after the district's commencement date, the department shall cease to deposit state sales tax revenues and state hotel and motel tax revenues into the district's account within the fund, unless the municipality dissolves the district by ordinance prior to that date. Following the expiration of the twenty-year period, the district shall be dissolved by ordinance of the municipality adopted within twelve months of the conclusion of the twenty-year period.

2. If the municipality dissolves the district by ordinance prior to the expiration of the twenty-year period specified in subsection 1, the municipality shall notify the director of revenue of the dissolution as soon as practicable after adoption of the ordinance, and the department shall, as of the effective date of dissolution, cease to deposit state sales tax revenues and state hotel and motel tax revenues into the district's account within the fund.

Sec. 9. Section 423.2, subsection 11, paragraph b, Code 2013, is amended by adding the following new subparagraph:

NEW SUBPARAGRAPH. (6) Beginning the first day of the calendar quarter beginning on the reinvestment district's commencement date, subject to remittance limitations established by the economic development authority board pursuant to section 15J.4, subsection 3, transfer to a district account created in the state reinvestment district fund for each reinvestment district established under chapter 15J, the amount of new state sales tax revenue, determined in section 15J.5, subsection 1, paragraph "b", in the district, that remains after the prior transfers required under this paragraph "b". Such transfers shall cease pursuant to section 15J.8.

Sec. 10. Section 423A.6, unnumbered paragraph 1, Code 2013, is amended to read as follows:

The director of revenue shall administer the state and local hotel and motel tax as nearly as possible in conjunction with the administration of the state sales tax law, except that portion of the law which implements the streamlined sales and use tax agreement. The director shall provide appropriate forms, or provide on the regular state tax forms, for reporting state and local hotel and motel tax liability. All moneys received or refunded one hundred eighty days after the date on which a city or county terminates its local hotel and motel tax and all moneys received from the state hotel and motel tax shall be deposited in or withdrawn from the general fund of the state. Beginning the first day of the calendar quarter beginning on the reinvestment district's commencement date, the director of revenue shall, subject to remittance limitations established by the economic development authority board pursuant to section 15J.4, subsection 3, transfer from the general fund of the state to a district account created in the state reinvestment district fund for each reinvestment district established under chapter 15J, the new state hotel and motel tax revenue, determined in section 15J.5, subsection 2, paragraph "b", in the district. Such transfers shall cease pursuant to section 15J.8.

Approved May 24, 2013